



## Washington Scene

### **New Proposal for Market-Based Programs—The Clear Skies Act.**

One of the centerpieces of President Bush's current environmental program is the Clear Skies Act, which is currently before Congress. The Act includes cap-and-trade programs for three of the main pollutants from electric power generation: sulfur dioxide, nitrous oxide, and mercury. Trading is a central component of the proposed program as a way to achieve these environmental targets at the lowest possible costs. Critics of the program point to the fact that trading can lead to locally high concentrations; in the case of mercury, this would have serious health consequences.

### **Market-based Trading for Carbon Dioxide Erupting in Europe.**

Climate change-related greenhouse gas trading is on the rise in Europe. With the recent ratification of the Kyoto Protocol, the per-tonne CO<sub>2</sub> trading price in Europe has

increased from €6.85 on January 17, 2005 to €10.75 on March 9, 2005—a 57% increase. Volume traded in 2005 has increased dramatically from almost 3 million tonnes per month for October, November, and December of 2004 to about 7 million tonnes in January 2005 and 8 million tonnes in February 2005. Through the 9th, 4.69 million tonnes have already traded in March 2005. Additionally, the Chicago Climate Exchange is starting a European carbon futures market, the European Climate Exchange (ECX), based on the EU Emissions Trading Scheme and traded on the International Petroleum Exchange in London. There is also the European Energy Exchange (EEX) that allows trades and which held its first daily spot auction on March 9, 2005 with 20,000 tonnes traded.